



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 23, 2008

S. 3197

National Guard and Reservists Debt Relief Act of 2008

As reported by the Senate Committee on the Judiciary on September 15, 2008

CBO estimates that implementing S. 3197 would have no significant impact on the federal budget. Enacting S. 3197 could affect the collection of offsetting receipts (a credit against direct spending) and revenues; however, CBO estimates that any net change would be insignificant.

Under current law, a debtor's income, less certain expenses, must fall below a certain threshold relative to the outstanding debt to qualify for protection under Chapter 7 of the bankruptcy code. (Those who do not qualify can file under Chapter 13.) Disabled veterans are not required to satisfy the current means-test threshold. S. 3197 would temporarily extend that exemption for three years after the bill's enactment to members of the National Guard and reservists that are called to active duty for at least 90 days.

By exempting National Guard members and active reservists from means testing for Chapter 7 bankruptcy filings, CBO expects that enacting this legislation would enable some individuals to file for bankruptcy who would not do so under current law. Fees collected from those individuals would increase revenues and offsetting receipts to the federal government.

CBO also expects that, under the bill, some reservists who would apply for Chapter 13 bankruptcy under current law would instead apply under Chapter 7. Based on information from the Government Accountability Office and the Administrative Office of the United States Courts, CBO estimates that National Guard members and active reservists make up about one-tenth of one percent of all bankruptcy filers, and that fewer than 500 people who would otherwise file for Chapter 13 protection would file for Chapter 7 under this bill. Because filing fees for Chapter 7 are lower than those for Chapter 13, a shift of cases from Chapter 13 to Chapter 7 would slightly reduce the amount of revenues and offsetting receipts received by the federal government. CBO estimates that the reduction in collections would be approximately offset by increased revenues and offsetting receipts from new filers under the bill, resulting in no significant net effect on the federal budget.

S. 3197 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On June 19, 2008, CBO transmitted a cost estimate for H.R. 4044, the National Guard and Reservist Debt Relief Act of 2008, as ordered reported by the House Committee on the Judiciary on June 11, 2008. The bills are substantively similar, and CBO's cost estimates are the same.

The staff contact for this estimate is Leigh Angres. The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.